

BEFORE THE
UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 3 Contracts (MC2016-152)
Negotiated Service Agreement

Docket No. CP2016-202

PUBLIC REPRESENTATIVE COMMENTS ON POSTAL SERVICE NOTICE OF
FILING A FUNCTIONALLY EQUIVALENT GLOBAL PLUS 3 NEGOTIATED SERVICE
AGREEMENT
(June 22, 2016)

The Public Representative hereby provides comments pursuant to Commission Notice.¹ In that Notice, the Commission established the above-referenced docket to receive comments on a Postal Service Notice of filing an additional Global Plus 3 negotiated service agreement (Agreement).²

Agreements included within the Global Plus 3 product provide prices for a combination of International Priority Airmail service (IPA), International Surface Air Lift service (ISAL), Priority Mail Express International service (PMEI), Priority Mail International service (PMI), and Commercial ePacket service (CeP) when the Contract holder acts as a “Mailer,” and additional prices for PMEI service and PMI service when the contract holder acts as a “Reseller.” Prices offered pursuant to a Global Plus 3 agreement may differ depending upon the volume or postage commitments made by the mailers. Id.

In Order No. 3378, the Commission established Global Plus 3 as a product on the competitive product list³ and included within that product a Global Plus 3 agreement

¹Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, June 15, 2016.

²Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 3 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, April 29, 2016 (Notice).

³Docket No. MC2016-152, Order Concerning Global Expedited Package Services 3 Contracts, June 21, 2016 (Order No. 3378).

(CP2016-196) that would serve as the baseline agreement for functional equivalence comparisons with future agreements.⁴

The Postal Service states that the Agreement is functionally equivalent in all pertinent respects to the baseline agreement and is in compliance with the requirements of 39 U.S.C. § 3633. Notice at 4. The Postal Service therefore requests that the Agreement be added to the Global Plus 3 product grouping. *Id.*

COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the Agreement, and the supporting financial model filed under seal with the Notice. Based upon that review, the Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement for the Global Plus 3 product. In addition, it appears that the negotiated prices in the Agreement should generate sufficient revenues to cover costs and satisfy 39 U.S.C. § 3633.

Functional Equivalence. The Postal Service asserts that the Agreement shares similar cost and market characteristics as those of the baseline Global Plus 3 agreement. Notice. at 4. However, the Postal Service identifies some differences between the Agreement and the baseline agreement. *Id.* at 4-5

The Postal Service maintains that these differences do not affect either the fundamental service the Postal Service is offering or the fundamental structure of the Agreement. *Id.* The Public Representative concludes that the Agreement exhibits similar cost and market characteristics as the baseline agreement. Therefore, the Public Representative concurs with the Postal Service that the Agreement is functionally equivalent to the baseline agreement and should be added to the Global Plus 3 product.

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; must ensure that each competitive product covers its

⁴ Docket Nos. MC2016-152 and CP2016-196, Order Approving Global Plus 3 Negotiated Service Agreement, June 21, 2016 (Order No. 3378).

attributable costs; and, must ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

As presented, the Postal Service's financial model does not directly address whether the addition of the Agreement to the Global Plus 3 product will result in the product as a whole covering costs as required by 39 U.S.C. § 3633(a)(2). However, the Postal Service's financial model indicates that the negotiated rates in the Agreement will generate sufficient revenue to cover attributable costs. Therefore, the addition of the Agreement to the Global Plus 3 product should not cause the product's cost coverage to fall below 100. Consequently, the addition of the Agreement should allow the Global Plus 3 product to continue to comply with 39 U.S.C. § 3633(a)(2), and should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Also, the addition of the Agreement is unlikely to prevent competitive products as a whole from contributing an appropriate share to the Postal Service's institutional costs, consistent with 39 U.S.C. § 3633(a)(3).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Katalin Clendenin
Public Representative

901 New York Ave., NW Suite 200
Washington, D.C. 20268-0001
(202) 789-6860
e-mail: katalin.clendenin@prc.gov